



Iowa  
**Retirement Investors' Club**  
*Looking forward to retirement!*

# Your Retirement Savings Benefit



An introduction to deferred compensation



# Introduction

A variety of voluntary retirement savings plans are available to investors today.

As a public sector employee, you have the option to save through your employer's 457/401a plans.

401k

TSA

Roth IRA

IRA

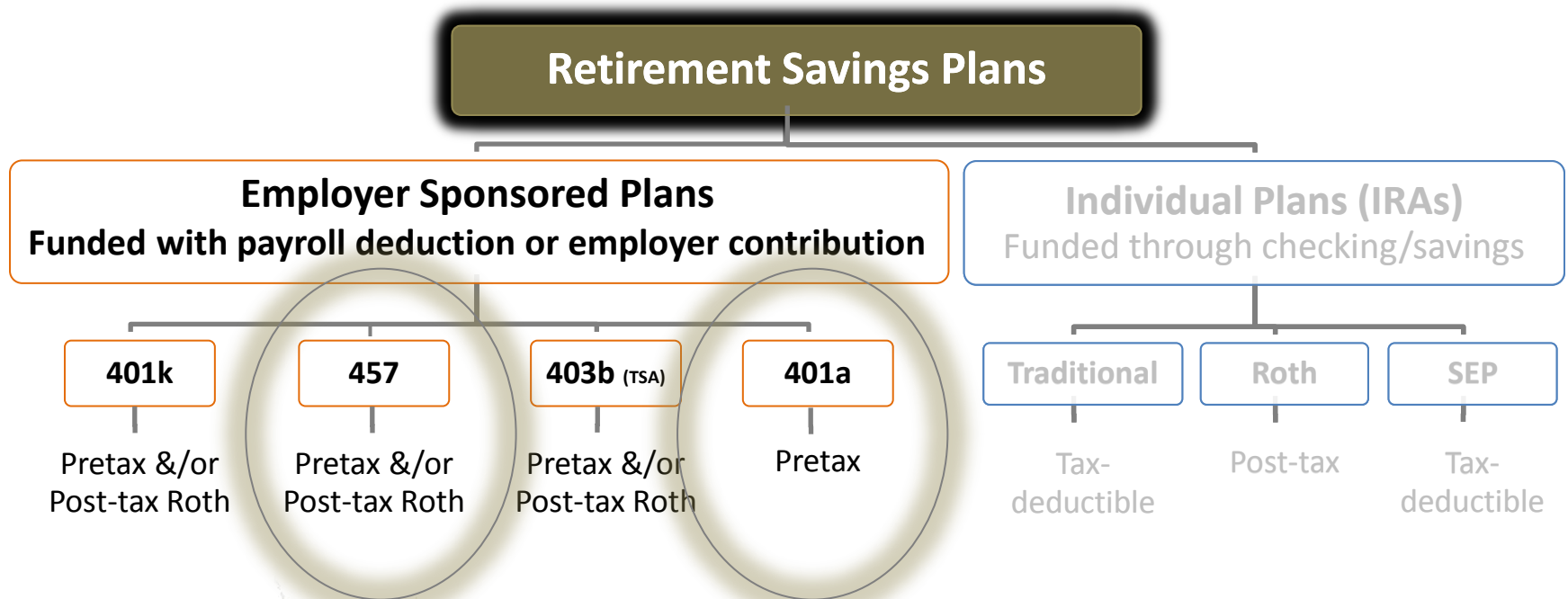
403B

401a

457

# Introduction

The tax treatment of contributions, earnings, and distributions of all retirement savings plans are regulated by the IRS.





# Introduction



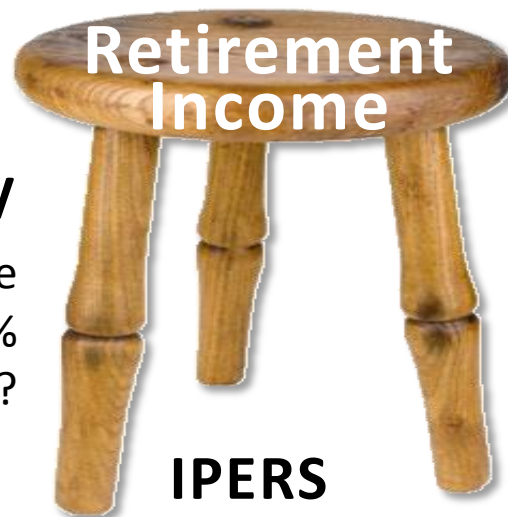
The Iowa Retirement Investors' Club (RIC) is the State's voluntary retirement savings benefit designed to **help you save a portion of your hard-earned wages today**, for a time in the future when you are ready to retire or unable to work.

Personal savings is a critical part of your retirement income.

There are 3 main sources of income in retirement.

# Purpose

## Sources of income in retirement



Retirement  
Income

### Social Security

**What if** SS is no longer able to fund at the intended 40% income replacement?

### Personal Savings

**You control** this income source now and in the future. Planning and saving over the years will determine your benefit.

### IPERS

**What if** you don't reach full benefit status?

**No COLA!**

# Purpose

Think about it...

Supplemental retirement savings plans are



*One part of your future you CAN control!*

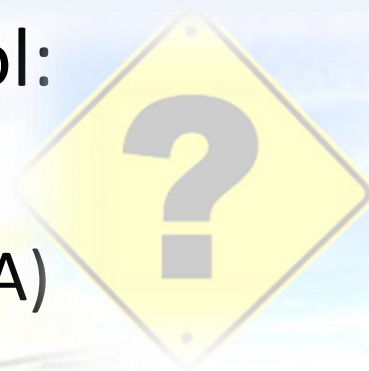




# Purpose

Future uncertainties you CAN'T control:

- Social Security income replacement
- Pension income replacement (no COLA)
- Healthcare costs
- Inflation
- Taxes
- Health
- Employment
- Death



# Purpose

You CAN control *how you prepare* to handle these things.

Supplemental retirement savings plans give you the opportunity to **personally and positively affect your options at retirement.**

Retirement income planning can seem overwhelming but *saving* for retirement doesn't have to be.



# Benefits

Participants in the RIC 457/401a retirement savings plans enjoy:

- Convenience of automatic savings through payroll deduction
- Tax advantages
  - Pre & post-tax deductions
  - Tax-deferred/free earnings
  - Tax credit (must qualify)
- Competitive investments to take you to and through retirement at little to no cost
- Income at retirement



Now that you see  
the basic purpose  
and importance of  
your retirement  
savings plan, it's  
time to take  
control!



# RIC participants enjoy control over

- Contributions/Roll-ins
- Investment mix
- Changes/Distributions
- Enrollment





# Contributions



As a participant in the RIC 457/401a program, you choose to have a portion of your wages automatically **deducted from your paycheck** to save for future income needs.

Minimum: \$25/month.



# Contributions



Deductions are deposited into your selection of RIC investments in a 457 account.

Deductions may be taken from:

- All paychecks (26),
- 1<sup>st</sup> & 2<sup>nd</sup> paychecks (24),
- 1 paycheck/month (12)

Deductions may be changed or stopped at anytime.

# Contributions (limits)



The total of all contributions (pretax and/or post-tax) made to the 457 account in a tax year must not exceed the IRS annual maximum limits.

**3-Year Catch-Up Limit:** Must have missed contributions and be within 4 years of normal retirement.

IRS Annual Maximum Contribution Limits		2017
Regular	100% of compensation up to:	<b>\$18,000</b>
Age 50+	The regular limit + \$6,000:	<b>\$24,000</b>
3-Year Catch-up	Up to twice the regular limit	<b>\$36,000</b>

Retirees may choose to defer unused sick leave and vacation pay from their final paycheck.



# Contributions (types)

**Tax advantages** differ depending on the taxation of deductions.



You have the choice to have your payroll deductions taken on a pretax and/or post-tax Roth basis.

# Contributions (tax benefits)

Tax advantages differ depending on the taxation of deductions.



	Pretax	Post-tax Roth
Tax treatment of <i>deductions</i>	No withholding	Regular income tax withholding
Tax benefit in year saved	Immediate-lower taxable income	None
Tax treatment of <i>earnings</i>	Tax-deferred until withdrawn as cash	Tax-free for qualified distributions
Consideration	Possibility of lower tax rate in retirement	Possibility of higher tax rate in retirement

# Contributions (tax benefits)

## Which option is right for me?

A number of factors may influence what is right for you:

- Age/years to retirement
- Current tax rate/need for tax relief
- Projected tax rate at retirement
- Possibility of fewer tax deductions in retirement
- Projected earnings





Schedule a meeting with your financial advisor or tax professional if you have questions.



# Contributions (tax benefits)

## Roth 457 vs. Roth IRA

	Type of Roth	Funding Source	Income Limits	Contribution Limits	RMD at 70 ½
Employer-sponsored plan		Payroll deductions only	None	\$18,000 \$24,000 \$36,000	Yes
Individual retirement account		Checking, savings, etc.	Yes	\$5,500 \$6,500	No

# Contributions (tax credit)

## Savers Tax Credit

You may be saying **“I can’t afford to save!”**. Consider the benefit of the Savers Tax Credit designed to help low-to-middle income earners save for their retirement.



You may be qualified to receive up to a \$1,000 credit against taxes owed if your adjusted gross income does not exceed limits shown here.

	2017
Filing jointly	\$62,000
Filing single	\$31,000
Filing Head of household	\$46,500

# Contributions (employer match)



An employer match benefit of up to **\$75/month** is deposited to your selection of investments in the 401a on a pretax basis only.

The match applies to your pretax and/or post-tax 457 contributions.



# Roll-ins

A **rollover** is a nontaxable transfer of your money from one retirement account to another. Outside retirement plan assets may be rolled into RIC at any time.

457 assets from  
previous employers



Traditional/rollover IRA,  
pretax 401k & 403b, etc.

**Consider RIC benefits** of penalty-free competitive fixed rate accounts, no-load/low-cost mutual funds, expert advisors, etc. for your outside retirement plan assets.

# Investments - Please note

- Provider representatives are your best source of information about the investments being offered.
- The State of Iowa does not give investment advice.
- Examples used in this presentation are for illustrative purposes only.
- All investments involve some degree of risk; ask your providers what risk is associated with the investments in your portfolio.



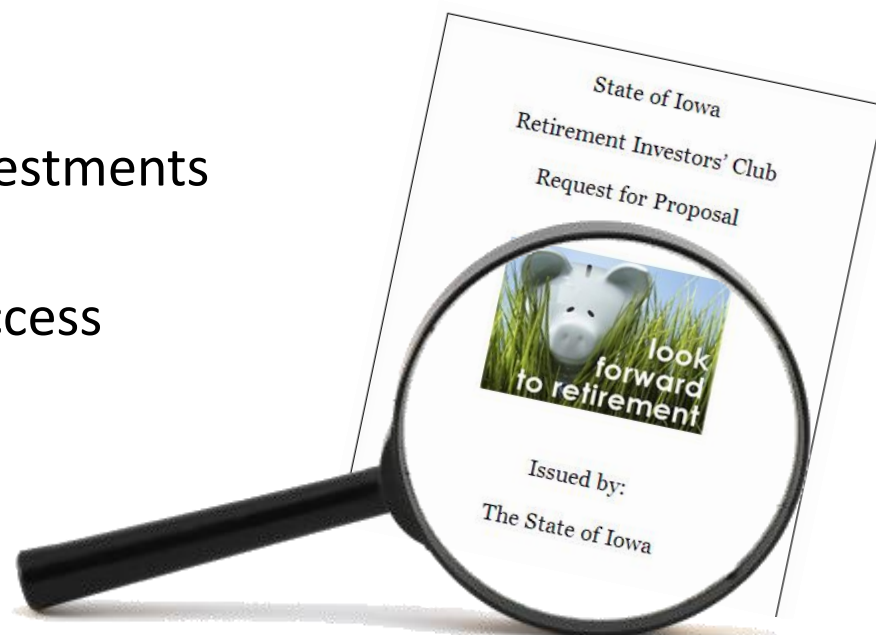
# Investments

## Selection process

A public competitive bid\* determines which providers will offer investment products and services.

Required minimum standards:

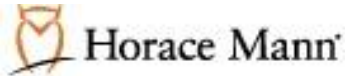
- Diversified, competitive funds
- Restriction and penalty-free investments
- Flexible distribution options
- 24/7 internet/phone account access
- Investment planning tools
- And more at low cost



\* At least every 6 years

# Investments

## RIC Providers



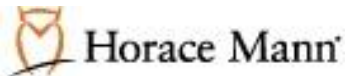
RIC investment providers give participants access to attractive investment options and services at low cost due to economies of scale.

Your contributions to provider products are put to work in the investment mix you choose with no sales charges, hidden fees, or surrender penalties.



# Investments

## RIC Providers



### Bond (Income)

Fixed Rate (safety)  
Interm-Term High-  
Quality Core Bond  
High-Yield Bond  
TIPS (Treasury Inflation-  
Protected Securities)  
Global Bond

### Stock/Bond (Balanced)

Traditional Balanced  
Lifecycle (target date)

### Stock (Growth)

Large Capital Stock Index  
Large Capital Value Stock  
Large Capital Growth Stock  
Mid-Capital Stock Index  
Mid-Capital Value Stock  
Mid-Capital Growth Stock  
Small Capital Stock Index  
Small Capital Value Stock  
Small Capital Growth Stock  
Total US Stock Mkt Index

### International

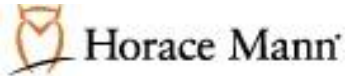
Int'l Developed Mkts  
Int'l Emerging Mkts  
World

### Alternative

Real Estate  
Socially Responsible  
Self-Directed Brokerage  
Account (SDBA)

# Investments

## RIC Providers



RIC providers offer 2 basic types of investments.

### Fixed Rate



- Declared rate
- Guaranteed by provider
- Fixed period
- No market risk
- No restrictions/maturities
- No fees

### Variable Rate



- “Mutual Funds”
- No guarantees
- Always liquid
- Degrees of market risk
- No restrictions/maturities
- Fund management fees

Total fee range - .04% - 1.28%.

# Investments

Access to provider websites, quarterly fund performance, advisor listings, fixed rates, etc. are easily accessed from the [RIC website](#).

Iowa Retirement Investors' Club (RIC)  
457/401a Plans  
Look forward to retirement!

RIC At-A-Glance  
State Employees

**Program summary:** The Iowa Retirement Investors' Club (RIC) is the State of Iowa supplemental retirement savings benefit designed to help state employees\* save a portion of current wages for future income needs. There are no vesting requirements! Participants enjoy many benefits such as:

- Employer match benefit of up to \$75/month
- Automatic deductions from payroll (minimum \$25/month)
- Tax advantages (pretax & post-tax Roth) and possible tax credit of up to \$1,000
- Diversified, no-load, low-cost investment options
- Flexible income options in retirement

RIC Investment Options

There are 2 basic types of investments\* offered (see illustration to the right). The chart below lists the provider's available fund options in each fund category, with more conservative fund options at the top. All funds must meet investment policy standards and undergo annual reviews by RIC and an outside investment consultant.

Fund Categories	Horace Mann (877-602-1861)	VALIC (800-945-6763)	VOYA (800-555-1970)
<b>Fixed Rate</b>	HM Grp Unallocated Fixed Interest		
<b>Money Market</b>	Vanguard Federal Money Mkt (Inv)		
<b>Core Bond</b>	Loomis Sayles Core Plus Bd (N)		
<b>Inflation Protect</b>	Van Infla Protected Securities (Adm)		
<b>High Yield</b>	Prudential High Yield Bd (Q)		
<b>Foreign</b>	Amer Fds Capital World Bd (R6)		
<b>Trad'l Balanced</b>	Vanguard STAR (Inv)		
<b>Target Date</b>	Vanguard Target Retire Income (I)		
	Vanguard Target Retire 2015 (Inv)		
	Vanguard Target Retire 2020 (Inv)		
	Vanguard Target Retire 2025 (Inv)		
	Vanguard Target Retire 2030 (Inv)		
	Vanguard Target Retire 2035 (Inv)		
	Vanguard Target Retire 2040 (Inv)		
	Vanguard Target Retire 2045 (Inv)		
	Vanguard Target Retire 2050 (Inv)		
	Vanguard Target Retire 2055 (Inv)		
	Vanguard Target Retire 2060 (Inv)		
<b>Large Value</b>	JPMorgan Equity Income (R6)		
<b>Large Blend</b>			
<b>Large Cap Index</b>	Vanguard 500 Index (Adm)		
<b>Mid Value</b>	Victory Sycamore Establish		
<b>Mid Cap Index</b>	Vanguard Mid Cap Index (Adm)		
<b>Mid Growth</b>	Voya Mid Cap Opportunities		
<b>Small Value</b>	JPMorgan Sm Cap Val (R6)		
<b>Small Cap Index</b>	Vanguard Sm Cap Index (Adm)		
<b>Small Growth</b>	JPMorgan Sm Cap Gro (R6)		
<b>Foreign Stock</b>	Amer Fds Europacific Gro		
<b>Emerging Mkts</b>	Vanguard Total Int'l Stock		
<b>World Stock</b>	Amer Fds New World (R6)		
<b>Sector</b>	Vanguard REIT Index (Adm)		
<b>Real Estate</b>			
<b>SDBA (additional fees may apply)</b>	TD Ameritrade		
<b>Total range of fees*</b>	0.25% - 1.08%		

\*Fixed rate accounts have no fees or maturities. RIC

Revised 01/31/17

**Fixed Rate**

- Declared rate
- Guaranteed by provider
- Fixed period
- No market risk
- No restrictions/maturities
- No fees

**Variable Rate**

- "Mutual Funds"
- No guarantees
- Always liquid
- Degrees of market risk
- No restrictions/maturities
- Fund management fees

## Providers and Investments

RIC providers offer diversified investments, online account access, access to investment experts (at no additional cost), and retirement planning services that meet your needs. There are no annual contract fees, sales charges, or penalties for asset transfers between providers or investments. Access basic product information in the chart below and contact the provider directly for details about their investment options and services.

Each investor is unique. RIC providers help you evaluate investment options and determine an investment mix suited to your tolerance for risk and retirement income goals.

Provider	Phone number	Website	Returns	Advisors	Enroll & More
Horace Mann	877-602-1861				
MassMutual FINANCIAL GROUP	800-743-5274				
VALIC	800-945-6763				
VOYA FINANCIAL	800-555-1970				

Iowa Retirement Investors' Club (RIC)

Pre-Enroll Now!

State of Iowa Employees

**Quick Links**

- [RIC At-A-Glance](#)
- [Investment Types](#)
- [Fixed Rates](#)
- [Product Fees](#)
- [Provider Interview](#)
- [Brokerage Accounts](#)
- [Info for advisors only](#)



# Investments

## How do I invest?

Everyone is different. Your investment mix and potential for earnings largely depends on your:

- Risk tolerance
- Timeframe for investment

Providers can help you establish your investment style.

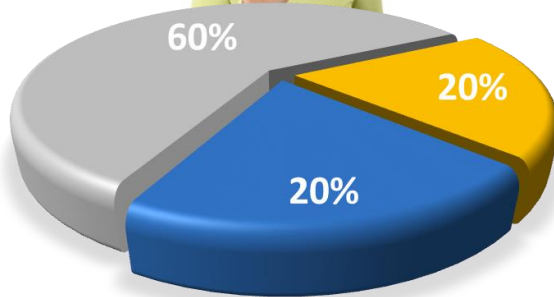
Depending on the type of investor you are, your portfolio may look something like this...





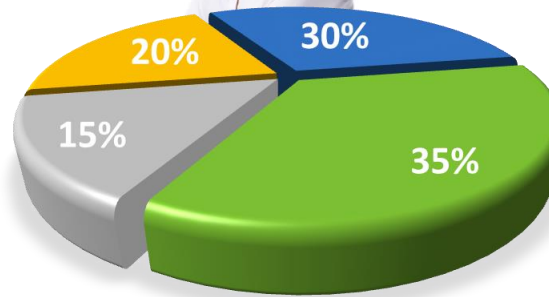
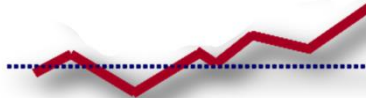
# Investments (investor styles)

Conservative investor



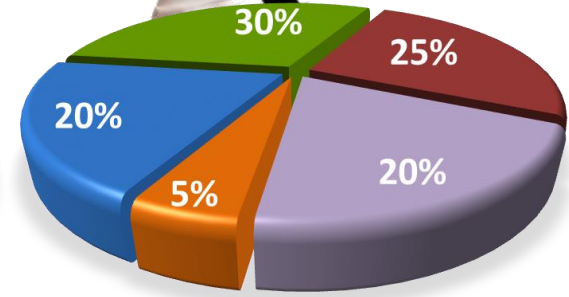
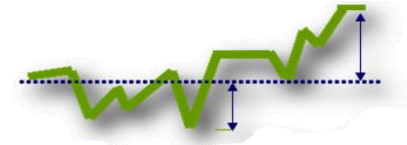
- Fixed Rate
- Fixed Income (short-term)
- Balanced Funds

Moderate investor



- Fixed Rate
- Fixed Income (intermediate-term)
- Balanced Funds
- Large Co Stock Funds

Aggressive investor



- Balanced Funds
- Stock Blend Funds
- Mid-Small Company Stock Funds
- International Funds
- Sector Funds

# Investments (investor styles)

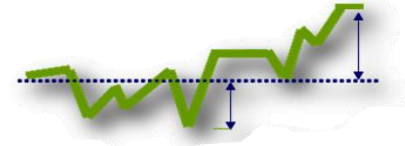
Conservative investor



Moderate investor



Aggressive investor

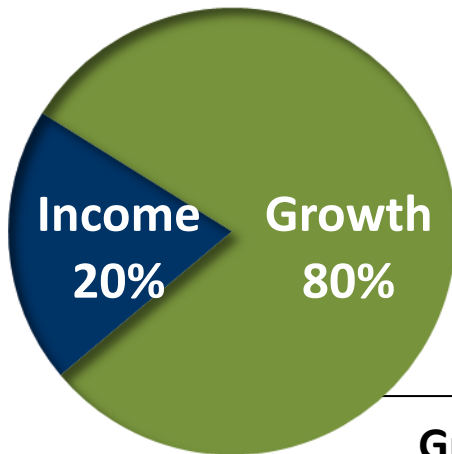


Risk tolerance and savings goals will likely change over time-your portfolio should too. Ask an advisor to help.

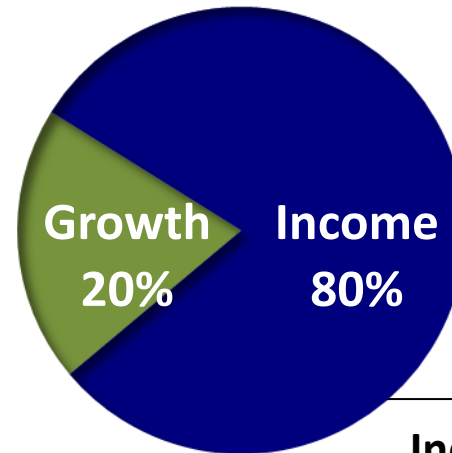
# Investments (asset allocation)

It's important to review your investment mix periodically so changes can be made if necessary.

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**Growth portfolio**



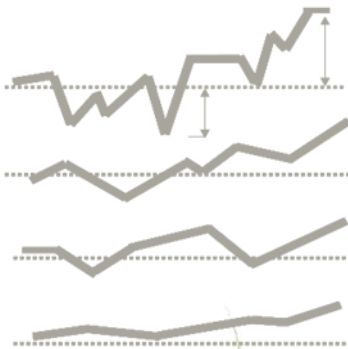
**Income portfolio**



# Investments

Don't hesitate to ask questions. Provider representatives have investment knowledge that will help you make informed decisions.

What kind of *risk* am I taking?



Will this enhance my *nest egg*?



Money markets/savings  
IRAs CDs  
Savings bonds  
Annuities/life insurance  
Real Estate  
Spouse's 401(k)  
Stocks/bonds  
Outside mutual funds



# Changes

**Your RIC 457/401a plans are very *flexible*!**

At any time you may make changes to your:

- Payroll deduction amount
- Investments
- Address/name/beneficiary
- Investment advisor
- Provider
- Distributions options at retirement

**Submit to RIC  
or your HRA**


**Contact your  
provider**



# Changes (payroll deductions)

Payroll deduction change requests are made by completing the *RIC Account Form* and submitting it to your human resource associate or the RIC office.

The form is available on the RIC website and may be submitted by email, by fax, or US mail.

 Retirement Investors' Club  
(RIC) 457/401a Plans  
Look forward to retirement!

**RIC Account Form**

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**Personal Information**

Name: \_\_\_\_\_ Social Security #: \_\_\_\_\_  
Last First MI Existing accounts use last 4 digits only

Birth Date: \_\_\_\_\_ Agency/Dept: \_\_\_\_\_ Employee ID #: \_\_\_\_\_  
Required for electronic submission only

Address: \_\_\_\_\_ City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Phone (work): \_\_\_\_\_ Phone (home): \_\_\_\_\_ Phone (mobile): \_\_\_\_\_

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**457 Payroll Deduction**  
Changes effect the 1<sup>st</sup> available check of the month following receipt of this form unless a later date is indicated.

Designate the deduction amount to send to your provider. The combined amount of all 457 pretax and Roth contributions in a tax year is limited to the IRS annually declared maximum contribution limits (see <https://das.iowa.gov/RIC/SOI/contributions>).

	Pretax	Roth (post-tax)	Deduction frequency
Horace Mann	\$ _____ /Check	\$ _____ /Check	<input type="checkbox"/> 12 checks/yr - <input type="checkbox"/> 1 <sup>st</sup> or <input type="checkbox"/> 2 <sup>nd</sup> check
MassMutual	\$ _____ /Check	\$ _____ /Check	<input type="checkbox"/> 24 checks/yr
VALIC	\$ _____ /Check	\$ _____ /Check	<input type="checkbox"/> 26 checks/yr (all checks)
Voya	\$ _____ /Check	\$ _____ /Check	Alternative effective date (if desired)
Inactive Prov Exception	\$ _____ /Check	\$ _____ /Check	<input type="checkbox"/> Begin (check date)
			<input type="checkbox"/> End (check date)
			<input type="checkbox"/> Final check (check date)

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**Provider Changes**  
You must have an established account with the receiving provider.

Please transfer: ☐ 100% From: ☐ Horace Mann ☐ TIAA-CREF ☐ VALIC ☐ Voya

Stop contributions to: ☐ Horace Mann ☐ MassMutual ☐ VALIC ☐ Voya

Redirect contributions to: ☐ Horace Mann ☐ MassMutual ☐ VALIC ☐ Voya

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**Participant Signature**


I authorize my employer to direct my contributions and make payroll deductions as indicated above. I understand and agree to the terms and conditions of the Iowa Retirement Investors' Club (RIC). I have access to a RIC At-A-Glance and Plan Document. I have established 457 and 401a accounts with one of the RIC providers. I understand that withdrawals may only be made upon termination of employment or qualification for an in-service distribution. I understand that the total of all 457 contributions made in the calendar year may not exceed the federal limits as required by the Internal Revenue Code section 457b.

X \_\_\_\_\_  
Participant Signature Date

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**Form Submission**

**Electronic submission** FOR EXISTING ACCOUNTS ONLY. Include your name, the last four digits of your SSN, and employee ID# (no signature required). There are 2 ways to submit this form electronically.

- Click on the Submit button 
- Scan/email this form to: [terri.marshall@iowa.gov](mailto:terri.marshall@iowa.gov)

**Fax to:** 515-281-5102  
**Mail to:** DAS-HRE, Attn: RIC  
1305 E Walnut / Des Moines, IA 50319

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**Agent Use Only** (Not required for existing accounts or online provider enrollment if available)

I am authorized to open accounts for this employee and verify that he/she has established 457/401a accounts with the active provider shown below.

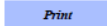
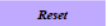
Print Agent Name	Agent Signature	Agent Phone Number	Provider Name	Date
Received by RIC				
Date Received: _____		Date Pended: _____		
Paycheck Effective Date: _____		Entered: _____		
Name: _____		Checked: _____		


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Visit the RIC website at <https://das.iowa.gov/RIC> to access the RIC At-A-Glance (under Providers & Investments), IRS maximum contribution limits, and other plan options specific to the State of Iowa 457/401a plans.

CPN 552-0317  
Revised 12/04/15

Iowa Retirement Investors' Club (RIC) • 866-460-4692 • <https://das.iowa.gov/RIC>



# Changes (investment mix)

You may transfer\* assets to new investments or simply redirect future contributions.

## Original mix:

Fixed rate account	20%
S&P 500 fund	50%
Small co fund	20%
International fund	10%



## New mix:

Fixed rate account	50%
Balanced fund	50%

Investments may be changed online, by phone, or with help from your advisor without fees.

\* Short-term trading restrictions may apply

# Changes

**Your RIC 457/401a plans are very *flexible*!**

At any time you may make changes to your:

- Payroll deduction amount
- Investments
- Address/name/beneficiary
- Investment advisor
- Provider
- Distributions options at retirement

**Contact your  
provider**





# Distributions

A **distribution** refers to the withdrawal of assets from your employer-sponsored 457/401a plans.



A “distributable event” must occur to be eligible.

- Unforeseeable emergency
- Cash out (small inactive accounts)
- Age 70 ½
- Separation from employment



# Distributions

## Unforeseeable Emergency Withdrawal

If you experience a financial hardship, you may qualify to receive an in-service distribution.

- Strict federal guidelines
- 457 assets only
- Not available for bankruptcy or divorce
- May be available for:
  - Funeral expenses (legal dependent)
  - Foreclosure of or eviction from residence
  - Loss of spouse's wages
  - Uninsured medical expenses & related lost wages



# Distributions

A **distribution** refers to the withdrawal of assets from your employer-sponsored 457/401a plans.



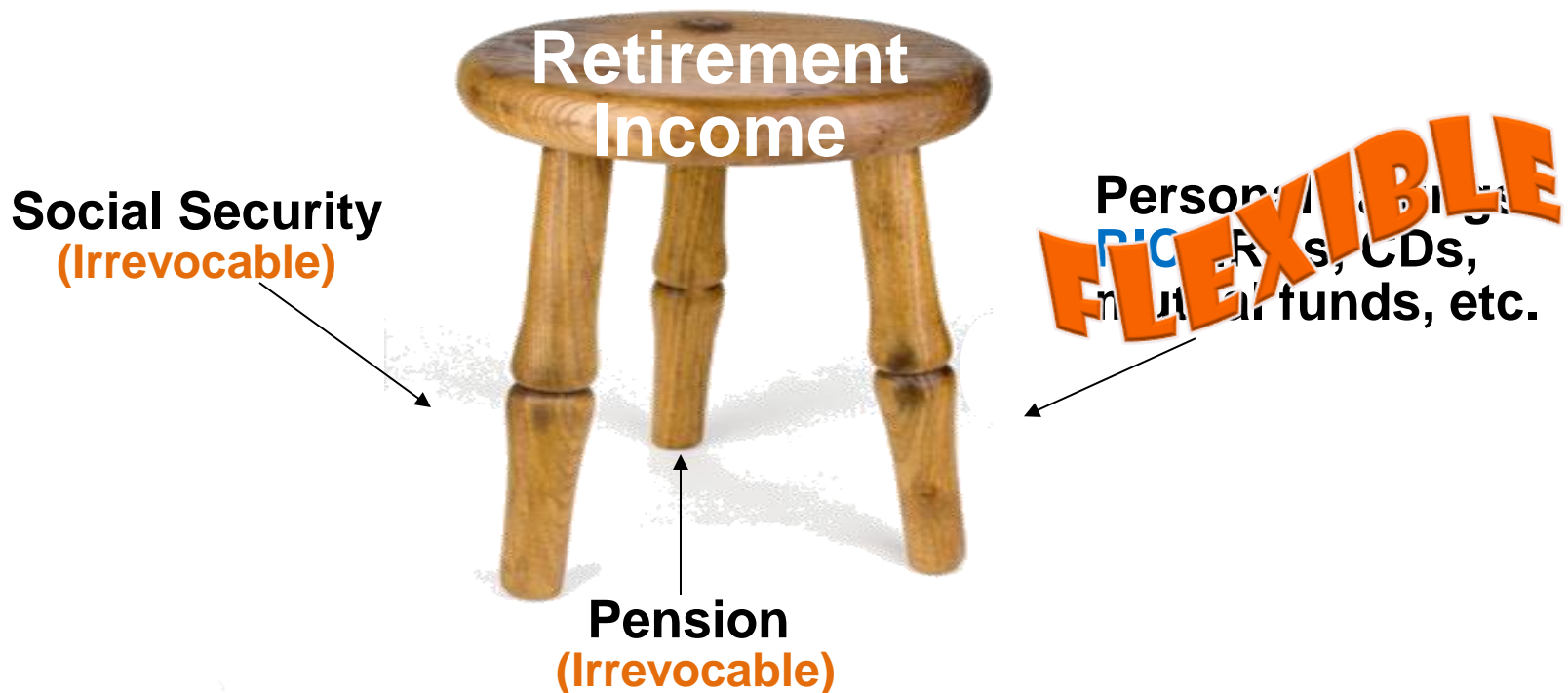
A “distributable event” must occur to be eligible.

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- Separation from employment

# Distributions

## In retirement

Social security and pension benefits are irrevocable.





# Distributions

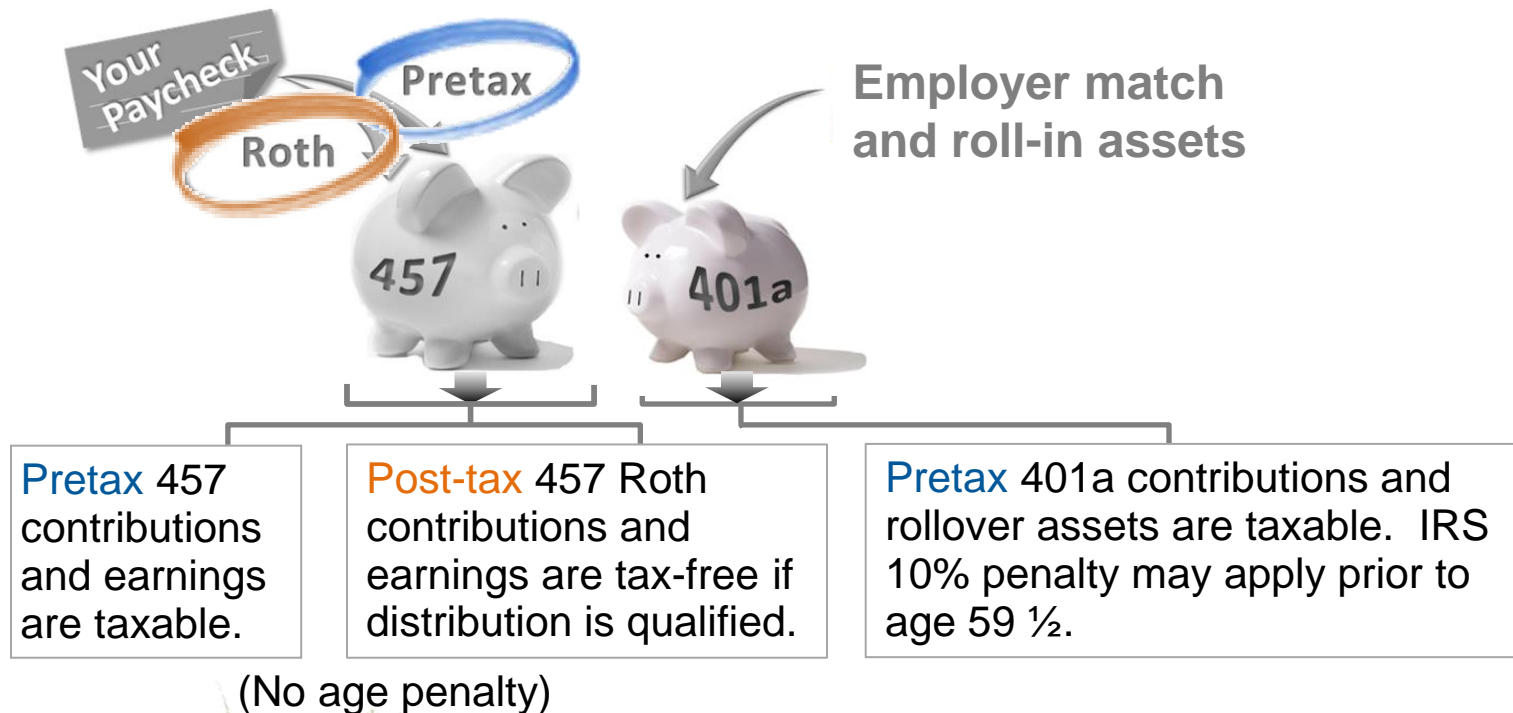
## At separation from employment

- Leave assets invested\*
- Take taxable distributions
  - Lump sums (total or partial)
  - Flexible periodic payments
  - Lifetime payments
  - Any combination
- Purchase IPERS credits (pretax 457 & 401a assets)
- Roll to an IRA or employer plan

\*IRS minimum distributions must begin at age 70 ½ or retirement, whichever is later.

# Distributions (taxes)

**Tax treatment of distributions differs** depending on the taxation of contributions.



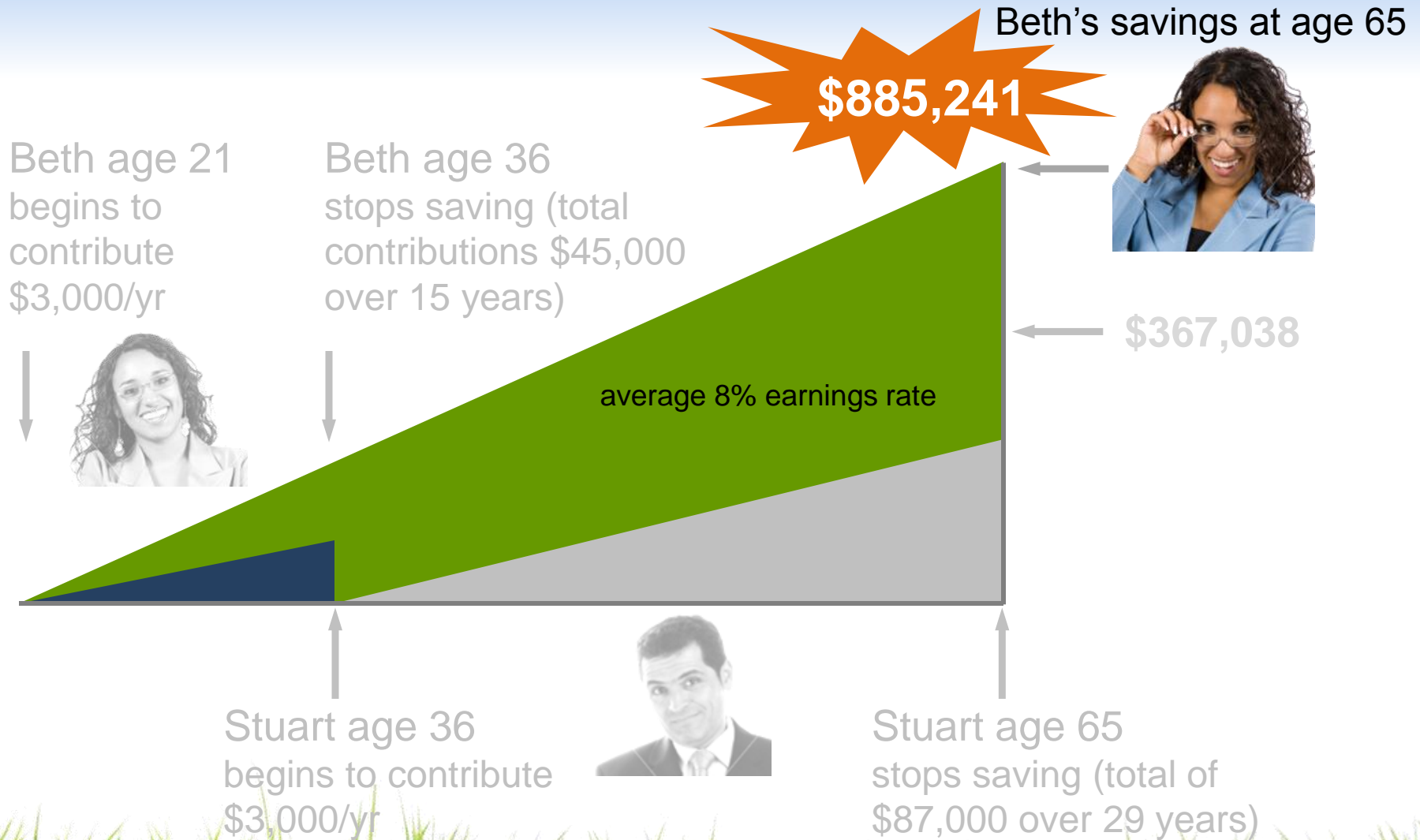


Take charge of your future

**TIME IS MONEY**



# Time is money





# Enrollment

Enrollment is year-round.  
But waiting even 1 year to save  
can hurt you.



Starting age	Savings amount	Results at age 65
35	\$1,000 per year	\$122,356
36	\$1,000 per year	\$112,283
Cost of waiting 1 year =		<b>\$10,073</b>

Saving early is saving smarter!

Assumes average 8% earnings rate

# Ask yourself...



Which retirement door will  
your savings unlock when you get there?



# Enrollment

## STEP 1- Choose a provider



**Which provider is best?!**



**MassMutual**  
FINANCIAL GROUP®

**VOYA**  
FINANCIAL™



# Enrollment

## **STEP 1-** Choose a provider

*Keep in mind... RIC Core providers meet bid standards and annual investment review requirements. Each offers:*

- ***Guaranteed rate accounts*** (no fees or maturities)
- ***Low cost mutual funds*** including, target date funds, index funds, SDBA accounts
- ***Investment planning tools***
- ***Investment advisors*** (some local options)
- ***Online access*** to accounts and educational information





# Enrollment

## STEP 1- Choose a provider

*To help you choose, you may:*



*Talk to participating co-workers.*



*Call the provider or review their website to get a feel for their services.*



**Investment Provider Interview**  
The following questions may help you gather information and understand the products and services offered by an investment provider. Do not hesitate to ask the provider for more explanation if you are not completely comfortable with the answers.

Question	Answer
<b>Address:</b> Can someone help me determine appropriate investment options?	
<b>Education:</b> What level of education do you provide about your products and services?	
<b>Account access:</b> How do I access my account information (Internet, telephone, etc.)?	
<b>Service issues:</b> If I have a service issue, who do I call?	
<b>Periodic review:</b> Do I have the opportunity to periodically review my investments with my investment agent?	

*Utilize the [Investment Provider Interview](#) to ask a provider questions.*



# Enrollment

## **STEP 1-**

**Choose a provider**

## **STEP 2-**

**Complete provider forms  
& RIC Account Form (included)  
and process as instructed**

- Enroll online (if available)
- Meet with an advisor\* (no cost)
- Review enrollment option on At-A-Glance.



\*Many independent advisors can represent at least one RIC provider.

# Enrollment



Providers are available to answer questions and set appointments to help you get your RIC accounts open.

Establish your new RIC accounts as soon as possible to begin taking advantage of the many great benefits.

 Horace Mann	<b>877-602-1861</b>
 MassMutual FINANCIAL GROUP <sup>®</sup>	<b>800-743-5274</b>
 VALIC	<b>800-945-6763</b>
 VOYA FINANCIAL <sup>™</sup>	<b>800-555-1970</b>

# Resources

- Call your provider if you have questions about your statements or the investments in your account
- Access your account online (your provider's welcome letter includes your PIN- save it for your records!)
- Visit the RIC website at <https://das.iowa.gov/RIC>
- Robbie Stoecker  
515-242-6846  
[robbie.stoecker@iowa.gov](mailto:robbie.stoecker@iowa.gov)

